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SUBJECT: PROSPECTS AND PROSTITUTION IN MINING BOOM TOWN

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11. SUMMARY: As Qit Madagascar Minerals (QMM) ramps up its mining activities in southeastern Madagascar, the former "ghost town" of Fort Dauphin is rapidly changing. Embassy staff consulted local officials and NGOs to assess the potential for human trafficking. While it is clear "trafficking in persons" is not yet a part of the public discourse or a significant problem, a number of related economic and social issues were evident. The influx of money and infrastructure development is accelerating activity throughout the economy promising job creation in the long-term, but its immediate effects include rising inflation and migration pressure. The variables for increased trafficking are evident as residents are forced to find alternative means of making ends meet; Post will continue to monitor this dynamic situation as extraction-related infrastructure comes online in 2009, bringing with it mobile workers with money. END SUMMARY.

SETTING THE SCENE

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12. Madagascar's third major tourist hub, the city of Fort Dauphin in the region of Anosy boasts approximately 550,000 inhabitants. The struggling regional economy depends heavily on cassava, rice, and sisal cultivation, but droughts coupled with flooding render much of the area famine-prone. The result is cyclical patterns of poverty and migration and some of the poorest health indicators in the country. The percentage of the regional population living below the poverty line is 82 percent, considerably worse than the IMF-estimated national average of 69 percent. Eighty percent of road networks are impassable most of the year, which contributes to economic and social isolation and impairs access to health services and markets. A biodiversity hotspot, Anosy's high population growth and overwhelming poverty have contributed to serious environmental degradation. The National HIV prevalence rate is still thankfully low at 0.95 percent, although Madagascar has some of the highest rates of sexually transmitted infections (STI) in sub-Saharan Africa. In Fort Dauphin, the 2005 surveillance showed a 7 percent syphilis rate among pregnant women.

QMM's ARRIVAL

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13. QMM, a Malagasy subsidiary of the Quebec-based Rio Tinto group, arrived in Fort Dauphin some 20 years ago seeking to mine ilmenite, an ore used to produce titanium dioxide, primarily for use in paint. For most of the intervening period global supply and demand kept prices low and QMM chose to leave this massive resource unexploited. After conducting numerous social and environmental impact assessments, QMM finally launched its construction phase in January 2006; extraction will start in 2009. QMM's infusion of hundreds of millions of dollars into road systems and the second largest deep

water port in the region has accelerated activity throughout the economy, prompting a surge in demand for accommodation, restaurants, local products, and even automated banking services. The long-term benefits and potential for job creation are indisputable, yet a number of social and economic problems are rapidly becoming evident.

THE IMMEDIATE IMPACT

¶4. QMM and its contractors have become the main employers in Fort Dauphin. The construction phase has created 2,800 jobs within QMM alone, with an expected 600 to 800 permanent jobs in the subsequent mining phase. The vast majority will be hired locally and from other parts of Madagascar. Despite the rumors that "foreign contractors" are wreaking havoc on the town, only 5.4 percent of the current workforce comes from abroad. The prospect of employment opportunities has also prompted the inward migration of Malagasy from throughout the country. The Mayor of Fort Dauphin bemoaned that the majority of these latest arrivals lack the required skills, creating a substantial unemployed population. The demand surplus created by this influx of people and money has driven up the price of housing and basic necessities. Poor road conditions prohibiting the transport of food to the town's only market exacerbate the problem by allowing sellers to set arbitrarily high prices. Residents are being driven out by the rising inflation or forced to find alternative ways of making ends meet. In terms of crime, the Chief of the Regional Police Brigade noted a "deep change" in the last two years with murder and rape incidents on the rise. This mirrors an unexplained trend throughout the country of rising rape incidents targeting adolescent girls.

¶5. Acutely aware in advance that development of the mine could have negative impacts on the local population, QMM has teamed up with

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USAID, local government, and NGOs to mitigate the impact through development of the economic sector, natural resource management and conservation, health promotion and STI and HIV prevention, and the development of regional education opportunities, with promising results to date. It also imposes a strict Code of Conduct to keep its workers on a tight leash.

SEX TRAFFICKING LOW BUT RISING

¶6. Few public officials, NGO workers, or members of the general public were familiar with the term "trafficking in persons." But according to local NGOs, the number of sex workers in Fort Dauphin has risen from 600 to 1,300 over the last two years. Women and girls hearing stories of rich mining workers have come by the busload from as far away as Diego Suarez on Madagascar's northern coast. Local authorities, police, and NGOs believe most of these young women prostitute themselves willingly and find their clients on their own. However, local sex workers informed us this is only true when the client is a Malagasy, which is usually the case. In the rarer instances where the client is a foreigner, intermediaries such as hotel receptionists, taxi drivers, tour guides, friends, and family members are used to facilitate the transaction between the two individuals in return for a percentage in cash or in kind. With female prostitutes starting at the average age of 14 and male prostitutes starting at the age of 16, it seems there is at least a limited degree of underage sex trafficking occurring in Fort Dauphin. A May 2007 survey of sex workers over the age of 18 found that in 27.2 percent of the cases a third party facilitated the sexual encounter; this figure suggests a similar situation for minors.

¶7. Contacts noted an increase among adolescent and adult males engaging in prostitution with foreign women and men. Local boys told an NGO worker the going rate foreign males are willing to pay for a "virgin" boy is USD 200 -- at half the average national per capita annual income, such a sum could be enough to convince even heterosexual adolescent males to submit.

¶8. Local contacts explained that sexual mores are more relaxed in

this part of the country. In the words of a local priest, "In the Antanosy culture, virginity is not a gem to be kept." Contacts described a traditional practice, still in vogue in Fort Dauphin, where parents build their daughters a small house when they turn 14 to facilitate their sexual encounters with men -- a sign of their social maturity. Adolescent girls and boys pursue foreigners, whether for a night or longer, hoping to acquire cell phones and nice clothes. Families openly encourage their daughters and sons to meet a foreigner in the hopes they will marry and take care of the family's financial situation. When homosexual prostitution sustains the family, parents look the other way.

¶19. No contacts with whom we spoke had heard any reliable accounts of labor trafficking in Fort Dauphin. One government official wondered whether this will change once mining actually starts, not in QMM sites themselves, but throughout Fort Dauphin as other investors and workers arrive.

¶10. The Chief of the Regional Police Brigade explained they received only two complaints of corruption of a minor in 2006. Parents are either unaware of their rights or hesitant to turn in the foreigners who sustain them, preferring to resolve cases privately through financial payments. Instead, police action against trafficking consists mainly of weekly nightclub raids and awareness raising campaigns on the rights of minors. Four police officers received U.S./UNICEF-funded training on the protection of minors in May and established a regional Brigade of Morals and Minors.

PROSPECTS FOR THE FUTURE?

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¶11. In the short-term, many locals will likely continue to believe QMM's arrival has made their lives worse. Local government officials lamented they had not undertaken measures earlier to cushion the population from the shock of the economic boom: "We should have known. QMM has been here for eighteen years, but we never believed it would happen." Local leaders are seeking ways to mitigate the impact of the (hopefully short-term) inflation, but without the adequate tools, they seem to be "waiting on the sidelines" hoping the completion of the roads and port will resolve market access issues and open up more jobs.

¶12. COMMENT: In the past, Post has examined other parts of Madagascar where sex trafficking takes place in the absence of large scale economic development, employment and education opportunities

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(reftels). The concept of "human trafficking" has clearly not taken hold in Fort Dauphin, which is to be expected in a place with a seemingly limited problem. But as one of the few cities in Madagascar with rapidly developing economic opportunities it merits continued monitoring. The construction phase of QMM's activities is fueling local expectations of long-term benefits, but only time will tell whether they will come to fruition, and at what social costs.
END COMMENT.

SIBLEY